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United States
Circuit Court of Appeals,
FOR THE NINTH CIRCUIT.

The Coca Cola Company,
Appellee,

vs.

Rose Orr and Frank Orr, Doing Business as Orr Drug Co., or Orr Pharmacy,
Appellants.

BRIEF OF APPELLEE.

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STATEMENT OF THE CASE.

This is an appeal from an order and decree granted on complainant's motion, dismissing the cause without prejudice. Without going over all the ground covered by appellants in the statement of facts set forth in their brief, we desire to call attention to certain elements of the situation which we deem important on this appeal.

It should be noted that at the time the motion to dismiss was heard, no testimony had been taken in the cause and no decree of any sort, establishing any right of the defendants or giving them any advantage which

would be lost by the dismissal, had been rendered. From the affidavits filed it appears furthermore that practically the sole matter in issue between the parties was whether or not the defendants had been guilty of selling as Coca Cola any substance that was not in fact Coca Cola. Defendants did not and do not, as we understand it, dispute the rights asserted by complainant growing out of the establishment of the trade name Coca Cola; nor have defendants, by their pleadings or proof, claimed any right to sell any particular substance or article without infringing complainant's rights. There is nothing whatever in the case, it is submitted, in the nature of an application by defendants for leave to continue their business on any particular basis, as counsel seems to intimate on page 6 of appellant's brief, and as is claimed in defendants' fourth assignment of error [Tr. page 99].

We have referred to the affidavits appearing in the transcript. We question, however, whether this court can take any of said affidavits into consideration on this appeal, for the reason that appellants have taken no steps to incorporate the affidavits into the record in any manner consistent with proper practice. This point will be elaborated in the part of our brief devoted to the argument. If this contention is well founded, this court has nothing whatever before it to show what was the basis of the lower court's order denying to complainant a preliminary injunction, nor to show what was the basis of defendants' opposition to the motion to dismiss, nor what equities were considered by the court upon said motion. The record as

it stands presents the bare question, as we see it, whether in a case in which no affirmative relief is claimed by defendants and no testimony has been taken and no legal advantage has been obtained by defendants which would be prejudiced by the dismissal, it is an abuse of discretion on the part of the trial court to grant a motion to dismiss after having previously denied an application for preliminary injunction.

ARGUMENT.

I.

Upon Review of an Order Made After a Hearing on Affidavits, the Affidavits Used Cannot Be Considered by the Appellate Court Unless They Have Been Made Part of the Record by Statement or Bill of Exceptions Showing That They Were Used in the Lower Court Upon Said Hearing.

While it is true as a general statement that a bill of exceptions is not known to equity practice, yet it has always been required, as we understand it, that evidence considered by the court below be made part of the record in order that it may be reviewed on appeal. Evidence taken by deposition becomes, upon filing, a part of the record; but this, according to the authorities, is not true of affidavits.

> "Affidavits are not a part of the record proper, even though they are filed, unless made so by an order, entered on the minutes of the court, in the nature of a bill of exceptions."
>
> Street on Federal Equity Practice, section 1300.

"As a general rule affidavits are not part of the record proper, because they are in the nature of evidence, and cannot be considered, even though copied into the transcript or attached to the brief or a petition in error, or even though appearing in connection with the motion, or filed with the papers in the case; they must be presented as part of the appeal record in the manner required by the practice in the particular jurisdiction, which is usually by bill of exceptions, statement, settled case, order of court, or, *if the proceeding is in equity, by certificate of evidence; and the record must also show that the affidavits were presented to and considered by the court.*" (Italics ours.)

4 Corpus Juris, 143-145.

"In a chancery case the pleadings, and all matters set out and admitted therein, the exhibits thereto, all stipulations, master's reports, and other papers filed in the cause as a part thereof, become a part of the record without being preserved by a certificate of evidence. Evidence in chancery cases regularly taken by deposition in accordance with the ancient practice becomes a part of the record, and will be considered on appeal without being made a part of the record by certificate. But testimony taken orally at the hearing must be made a part of the record by a bill of exceptions, certificate of evidence, or other authorized mode. *Affidavits read in evidence are not a part of the record, unless made so by certificate of evidence.*" (Italics ours.)

4 Corpus Juris 383.

Under the new equity rules (Rule 75) there can surely be no doubt on this point. Affidavits are in the

nature of evidence, and must be brought into the record in the manner pointed out in the rules—by statement approved by the court or judge.

We refer also to the following decided cases in which the need of a statement or bill of exceptions to authenticate affidavits used on motion is pointed out. While these cases are nearly all at law instead of in equity, it would seem that the same principles should apply.

Hildreth v. Grandin, 97 Fed. 870:

Writ of error to Circuit Court of Appeals, 8th Circuit, complaining of refusal of the court to vacate order of dismissal of suit in ejectment. No bill of exceptions had been settled making the motion to vacate and the evidence heard thereon a part of the record. Held that the action of the trial court cannot be reviewed without bill of exceptions.

Sargeant v. State Bank of Indiana, 12 How. 371, 385:

The court declared that the mere fact that a paper is found in the files of a cause does not itself constitute it part of the record. "In order to render it part of the record it should form some part of the pleadings in the case, or be brought under and ingrafted upon the action of the court by some motion from the parties."

Bassing v. Cady, 208 U. S. 386:

"Papers or documents used at the hearing in the court below cannot in strictness be examined

here unless they are made part of the record by bill of exceptions or in some other proper mode."

El Dorado Coal Mining Co. v. Mariotti, 215 Fed. 51:

Writ of error to Circuit Court of Appeals, 7th Circuit, complaining of refusal to dismiss cause for want of jurisdiction. The printed record contained what purported to be a motion to dismiss, also order denying motion to dismiss, but there was no bill of exceptions preserving any motion or ruling thereon. Held, the matter was not properly before the court. "Motions based on matters *dehors* the record are expressly held to be not a part of the record unless preserved in a bill of exceptions or otherwise saved."

II.

There Was No Error or Abuse of Discretion in Granting Leave to Complainant to Dismiss. While a Decretal Order Had Been Entered in the Cause, It Was Not Such an Order as Gave to Defendants Any Legal Advantage in the Principal Litigation Which Was Lost by the Dismissal. It Is Only That Kind of a Decretal Order Which Bars the Right of Dismissal.

The above heading shows that we take issue with counsel for appellants on his sixth point of law set out on page fourteen of his brief. It may be admitted that the passage from Foster's Federal Practice, Volume II, section 291, quoted on page twenty-two of appellant's brief, appears to sustain their position, and

also that the remark made by Judge Butler in the case of *Pullman's Palace Car Company v. Central Transportation Company,* 49 Fed. 262, that a decree or decretal order entered is usually a conclusive answer to an application for leave to dismiss, would seem to indicate that the mere issuance of a decretal order without more may operate as a bar to dismissal. We believe, however, that both of these authorities may be reconciled with the general proposition usually laid down that only those decretal orders which give a defendant some advantage in the litigation which a dismissal would wipe out have the effect of barring the right to dismiss. If it is not possible to make this reconciliation, the authorities mentioned stand opposed to an overwhelming weight of authority to the contrary. We desire to quote from two text authorities which were not cited by appellants. Both Simkins, in his work on "A Federal Equity Suit," and Street, in his treatise on Federal Equity Practice, have valuable chapters upon the questions of law involved in a complainant's application to dismiss a bill. The first named text writer lays down the general rule as follows:

> "The general rule is that the plaintiff has the right, at any time before an interlocutory or final decree in a case, to dismiss it on paying costs, and without prejudice to his right to file another, and where the dismissal will deprive the defendant of no substantial right accrued since the suit commenced and the defendant has not prayed for affirmative relief to which he would be entitled."
>
> Simkins—A Federal Equity Suit, page 349.

It will be noticed that a "decretal order" is not mentioned, and that it is only a *decree,* interlocutory or final, which affects complainant's right.

The following from Professor Street's work is a clear exposition of the subject:

> "Sec. 1329. Generally speaking, the plaintiff is entitled to have a dismissal, if he wants it, at any time before the cause is finally heard; but this privilege is not absolute, and it is subject to be controlled by the court upon due reference to the rights of the defendant. Before a plaintiff will be denied leave to dismiss it should appear that the suit has progressed so far that the defendant is either entitled to a decree or that some injury or prejudice would result to him from the dismissal. All the authorities recognize that in the progress of a suit a stage may be reached when the right of the plaintiff to end the cause by dismissing his bill ceases. With sufficient exactness the decisive point may be said to be when the cause has proceeded so far as to give the defendant some right of which he would be deprived by allowing the dismissal of the bill by the plaintiff on his own motion.
>
> "Sec. 1330. Prejudice to the defendant, then, is a factor sufficient to defeat the right of the plaintiff to dismiss. If it appears that the dismissal of the bill would deprive the defendant of some litigable right that he is entitled to enforce in that suit, or perhaps even if it appears that by the dismissal he would be subjected to some disadvantage or deprived of some equity, the leave to dismiss will be refused. *It will be noted, in this connection, that the mere possibility that*

the defendant may be harassed by another litigation directed to the same object is not enough to disentitle the plaintiff to dismiss. The prejudice that the law contemplates as sufficient to authorize a denial of the plaintiff's motion to dismiss must be 'some plain, legal prejudice other than a mere prospect of future litigation rendered possible by the dismissal of the bill.' But if, beyond the incidental annoyances of a second litigation upon the same subject-matter, such action would be manifestly prejudicial to the defendant, leave to dismiss will not be granted.

"On the question as to what will constitute a sufficient prejudice to the defendant to justify a refusal of leave to dismiss, the courts very properly exercise a considerable latitude of judicial discretion; *and except in a case where there is an obvious violation of a fundamental rule or an abuse of the discretion of the court, the action of the circuit court in granting or refusing leave to dismiss will not be reversed.*" (Italics ours.)

Street—Federal Equity Practice, pages 804-806.

Here, again, the emphasis is laid upon the matter of possible legal prejudice to the defendant by the dismissal. This, we submit, is the real basis upon which all the decisions refusing leave to dismiss are founded. It is a basis consistent with equity and logic. The rule contended for by appellants, on the other hand, namely, that the mere fact of rendition of a decretal order is a bar to complainant's right to discontinue, is a mere rule of thumb without logical basis. In those cases where rendition of a decretal order involves no advantage to defendant, there is clearly no

logic or equity in denying complainant the right to dismiss merely because of such decretal order. In considering the decisions on this point, we shall first refer to a number in support of our position and then discuss the decisions cited by appellants.

In the following federal court cases motions to dismiss made by complainant were granted:

Pennsylvania Globe Gaslight Co. v. Globe Gaslight Co., 121 Fed. 1015;

Penn Phonograph Co. v. Columbia Phonograph Co., 132 Fed. 808;

Gilmore v. Bort, 134 Fed. 658;

Morton Trust Co. v. Keith, 150 Fed. 606;

Houghton v. Whitin Machine Works, 160 Fed. 227;

Thompson-Houston Electric Co. v. Holland, 160 Fed. 768;

Staude Mfg. Co. v. Labombarde, 229 Fed. 1004;

Young v. Samuels, 232 Fed. 784.

The first of the above listed cases indicates the practice followed in the District Court of Massachusetts. The following is from the opinion rendered in that case by Judge Colt:

> "The general rule that a complainant has the right to dismiss his bill at any time before hearing is too firmly established to require any citation of authority. It is equally well settled that the annoyance to the defendant of a second litigation is no ground for refusing to dismiss the bill. The only question which can arise in any given case

is whether the complainant comes within the exceptions to the rule. These exceptions may be briefly stated: First, where the dismissal would deprive the defendant of some substantial right which has accrued to him since the suit was commenced; second, where the defendant prays for, or is entitled to, some affirmative relief, as, for example, where there is a cross-bill.

"The case at bar does not fall within either of these exceptions. The bill is the ordinary one for infringement of a patent. The evidence is closed, the record printed, the case put upon the calendar, and, by order of the court, stands for hearing. During the progress of the suit the defendant has acquired no substantial right, and it asks for no affirmative relief. So far as appears, the defendant is in no way prejudiced by the dismissal of this suit further than his liability to a second suit for the same cause of action."

121 Fed. 1015, 1016.

In the later case in the same court, *Morton Trust Company v. Keith, supra,* the rule laid down in the above-quoted passage was referred to as the established practice of the Massachusetts Circuit Court. Defendant in the *Morton Trust Company* case requested the court to impose terms, in addition to the payment of costs. This the court refused to do, holding that since, under the established practice, the complainant had the absolute right to dismiss upon payment of costs, there could be no imposition of additional terms without changing the rule. The case of *Houghton v. Whitin Machine Works, supra,* is another from the Circuit Court of Massachusetts in

which the established practice of that court was followed.

The case of *Gilmore v. Bort, supra,* is from the Circuit Court of the Northern District of Iowa. Dismissal was allowed there, although a cross-bill had been filed by the defendant. The court, upon analysis of the so-called cross-bill, found, however, that it was in no true sense a cross-bill, since the matters alleged against complainants were either available in defense to the original bill or were not germane to matters alleged in the original bill. The general principle with regard to dismissal is thus laid down.

> "The general rule is that the complainant in an original bill has the right at any time before the final hearing, upon payment of costs, to dismiss his bill without prejudice. This rule, however, is subject to the exception that, where such dismissal would be manifestly prejudicial to the defendant, it will not be permitted. The prejudice, however, to the defendant, that will authorize the denial of the complainant's motion to dismiss his bill, must be some plain, legal prejudice, other than a mere prospect of future litigation rendered possible by the dismissal of the bill."
>
> 134 Fed. 660.

In the very recent case of *Staude Manufacturing Company v. Labombarde, supra,* the District Court of New Hampshire, in permitting a dismissal, pointed out that there had been no hearing touching the merits of the controversy and that although considerable expense had been incurred in taking testimony and doing other things, the evidence was not closed upon either

side. Judge Aldrich saw no ground, therefore, for saying that any substantial rights had accrued to defendant which would warrant him in requiring the plaintiff to remain in court and carry forward the litigation with reference to the patents in question.

The case of *Young v. Samuels, supra,* was decided by the District Court of Rhode Island. Judge Brown referred to the opinion of Mr. Justice Woodbury in *Folger v. Shaw*, Fed. Cas. No. 4899, where the guiding principle was assumed that discontinuance might be allowed to the plaintiff at any time up to that point of progress in the case where the court had been furnished with means for the court's final decision. Judge Brown stated that the case before him, so far as had been made to appear, had not reached the point where material was present for a judgment on the merits.

The case is valuable for the full citation of authority given on page 787.

We come now to the two cases in the above list upon which we principally rely, for they are, we believe, on all fours with the case at bar. In both there had been proceedings on application for temporary injunction before motion to dismiss was made.

Penn Phonograph Company v. Columbia Phonograph Company, supra, was an appeal to the Circuit Court of Appeals, 3d Circuit, from an order made by the Circuit Court for the Eastern District of Pennsylvania, granting complainant's motion to dismiss. Suit had been filed December 4, 1902, and on December 16, 1902, complainant's motion for a preliminary in-

junction based on affidavits and opposed by affidavits and answer on oath, was heard and denied. On April 6, 1903, complainant filed its petition praying that the bill might stand dismissed. The motion was granted and a decree entered dismissing the bill without prejudice. The following is from the decision of the Circuit Court of Appeals:

> "Upon this appeal, then, the decree allowing the dismissal of the bill should not be reversed unless it clearly appears that there was a violation of some established rule prevailing in equity, or an abuse of the legal discretion of the court. In Pullman's Car Co. v. Central Transportation Co., 171 U. S. 138, 146, 18 Sup. Ct. 808, 811, 43 L. Ed. 108, the Supreme Court, after referring to decisions upon this subject, said:
>
> " 'From these cases we gather that there must be some plain, legal prejudice to defendant, to authorize a denial of the motion to discontinue. Such prejudice must be other than the mere prospect of future litigation rendered possible by the discontinuance. If the defendants have acquired some rights which might be lost or rendered less efficient by the discontinuance, then the court, in the exercise of a sound discretion, may deny the application. Stevens v. The Railroads (C. C.), 4 Fed. 97, 105. Unless there is an obvious violation of a fundamental rule of a court of equity, or an abuse of the discretion of the court, the decision of a motion for leave to discontinue will not be reviewed here.'
>
> "We are not able to see that the court below violated any rule of equity practice, or abused its legal discretion, in making the decree here complained of. No testimony had been taken in the

case, and there had been no hearing or decree upon the merits. The hearing of the motion for a preliminary injunction upon opposing *ex parte* affidavits and the denial of the motion did not bar the dismissal of the bill by permission of the court in the exercise of its sound discretion. Nor was leave to dismiss precluded because the defendant was called on to answer the bill under oath, and did so. The appellant, we think, was deprived of no substantial right by the dismissal. We cannot agree that future litigation thus made possible amounted to legal prejudice."

132 Fed. 809, 810.

It is submitted that this case represents a situation substantially the same as that before this court in the case at bar.

The other case which we consider on all fours is *Thompson-Houston Electric Company v. Holland, supra,* a decision from the Circuit Court for the Northern District of Ohio. There a bill of complaint was filed on January 24, 1906, for injunction and other relief growing out of an alleged infringement of a patent. On March 8, 1906, a preliminary injunction was decreed. An appeal was taken which resulted in a reversal of the decision granting the preliminary injunction and a remanding of the case for further proceedings. Thereafter, motion was made by complainant for leave to discontinue without prejudice. The court granted the motion, stating:

"The general rule is, stated in the form most favorable to the defendants, that a motion to discontinue without prejudice upon payment of

> costs will be allowed where no rights have attached to the defendants, as by a cross-bill, or where no testimony has been taken. I know of no case where it is held, and I can conceive of no reason why it should be held, that where no testimony has been taken, and no cross-bill filed, the complainant would not have the right to dismiss his case. To hold otherwise would be to say that the courts are anxious to encourage litigation. As declared by the court in Pennsylvania Globe Gaslight Co. v. Gaslight Co. (C. C.), 121 Fed. 1015, the annoyance to the defendant of the second litigation is no ground for refusing to dismiss the bill."

Coming now to the discussion of the cases relied on by appellants, we make the general preliminary statement that in every one of the instances in which complainant's motion to discontinue was denied, the litigation had reached a stage where the defendant had obtained some advantage which would be lost to him by the dismissal, so that the dismissal would operate as legal prejudice. This, as we have previously shown, is the true test. In the following cases, Stevens v. The Railroads, 4 Fed. 97; Electrical Accumulator Co. v. Brush Electric Co., 44 Fed. 602; Hat-Sweat Mfg. Co. v. Waring, 46 Fed. 87, and Chicago & Alton Railroad Co. v. Union Rolling Mill Co., 109 U. S. 702, the defendants had either filed cross-bills or were entitled under their pleadings to affirmative relief. Dismissal would therefore have been highly prejudicial.

In American Bell Telephone Co. v. Western Union Telegraph Co., 69 Fed. 670, upon which appellants

place special reliance, there had been a reference to a master, in which both parties had joined, and a decision had been announced in draft form by the master in favor of the defendant. Furthermore, as Professor Street points out in section 1334 of his treatise on Federal Equity Practice, the suit having been for an accounting the defendant was entitled to affirmative relief to the extent of any balance found in his favor.

In the case of Hershberger v. Blewett, 55 Fed. 170 (Circuit Court Northern District Washington), which was a suit involving title to real estate, ruling had been made upon demurrers and exceptions to the answer and the time for introduction of testimony by the plaintiff had expired. Thus the case was practically ready for final determination upon the pleadings. The rulings on demurrers and exceptions to the answer, furthermore, were decretal orders which conferred a legal advantage in the litigation upon the defendant which would have been entirely lost had the case been dismissed. The court was also influenced by the fact that the claim in litigation affected the title to numerous lots in Seattle and that prejudice to the lot owners would result from delay in settlement of the question.

In the case of *Pullman's Palace Car Company v. Central Transportation Company,* 49 Fed. 262, S. C. 171 U. S. 138, the prejudice which would have been sustained by the defendant if dismissal had been allowed consisted in a loss of the advantage it had obtained by reason of certain offers to do equity which

appeared in complainant's bill. The Supreme Court laid down the governing principles in the following language:

> "The general proposition is true that a complainant in an equity suit may dismiss his bill at any time before the hearing, but to this general proposition there are some well-recognized exceptions. Leave to dismiss a bill is not granted where, beyond the incidental annoyance of a second litigation upon the subject-matter, such action would be manifestly prejudicial to the defendant. The subject is treated of in Detroit v. Detroit City Railway Company, in an opinion by the Circuit Judge, and reported in 55 Fed. Rep. 569, where many of the authorities are collected, and the rule is stated substantially as above. The rule is also referred to in Chicago & Alton Railroad v. Union Rolling Mill Co., 109 U. S. 702.
>
> "From these cases we gather that there must be some plain, legal prejudice to defendant to authorize a denial of the motion to discontinue; such prejudice must be other than the mere prospect of future litigation rendered possible by the discontinuance. If the defendants have acquired some rights which might be lost or rendered less efficient by the discontinuance, then the court, in the exercise of a sound discretion, may deny the application. Stevens v. The Railroads, 4 Fed. Rep. 97, 105. Unless there is an obvious violation of a fundamental rule of a court of equity or an abuse of the discretion of the court, the decision of a motion for leave to discontinue will not be reviewed here.
>
> "Upon an examination of the facts relating to the motion, we think the Circuit Court was right,

in the exercise of its discretion, in denying the same."

171 U. S. 145, 146.

It is significant, furthermore, as we see it, that the Supreme Court in its opinion did not repeat the remark with reference to decretal orders which appeared in the decision of the Circuit Court and which appellants have italicized on page thirty of their brief.

It is submitted that appellants are wholly unable to show in the case at bar that any prejudice will come to them by reason of the dismissal of the bill other than such annoyance as they may be put to by further litigation in the same or other courts; that at the time the motion to dismiss was made, the case had not reached a point where any rights whatever had been adjudicated; nor had the cause proceeded to a point where the court could be certain as to what ought to be the final disposition of the cause. This latter seems clear from the fact that the order denying the preliminary injunction stated that it was without prejudice to renewal of complainant's application. [Tr. 87.]

We respectfully submit that the decree of dismissal should be affirmed.

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